

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL ONE)

Docket No. RM2020-6

PETITION OF THE UNITED STATES POSTAL SERVICE FOR THE
INITIATION OF A PROCEEDING TO CONSIDER PROPOSED CHANGES
IN ANALYTICAL PRINCIPLES (PROPOSAL ONE)
(February 28, 2020)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a rulemaking proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports. The proposal, relating to a change in RPW reporting methodology for measuring the national totals of non-contract mailpieces in domestic parcel categories bearing PC Postage indicia from postage evidencing systems, is labeled Proposal One and is discussed in detail in the attached text.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Proposal One

PROPOSED CHANGE IN RPW METHODOLOGY FOR USE OF PC POSTAGE NON-CONTRACT DATA TO REPLACE ODIS-RPW STATISTICAL SAMPLING ESTIMATES

OBJECTIVE:

The Postal Service requests a change in RPW reporting methodology for measuring the national totals of non-contract mailpieces in domestic parcel mail categories bearing PC Postage indicia from postage evidencing systems. For these types of mail, the proposed methodology would replace Origin-Destination Information System – Revenue, Pieces, and Weight (ODIS-RPW) statistical sampling estimates with corresponding census transactional data. If this request were approved, it would add another important census source to the RPW reporting system. It would also complement the PC Postage Negotiated Service Agreement (NSA) census transactional data, which are already included in the RPW reporting system.

BACKGROUND:

Prior Filings Regarding Replacement of Statistical Sampling Estimates

The Postal Service has submitted numerous requests for the replacement of statistical estimates with census data. Recent dockets include: Docket No. RM2014-4 (Proposal One) for Self Service Kiosk and PostalOne!–related products of Merchandise Return Service and Business Reply Mail; Docket No. RM2015-15 for Click-N-Ship census data; Docket No. RM2016-1 for tying estimation methodology to letter mail end-of-run counts; Docket No. RM2016-7 for introduction of additional census data for international outbound product RPW reporting; Docket No. RM2017-5 for PC Postage extra services census data; Docket No. RM2017-7 for Retail Systems Software

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Business Partners census data; and Docket No. RM2019-11 for Priority Mail Express International census data. All of these filings have been approved by the Postal Regulatory Commission. See Order No. 2101 (June 25, 2014); Order No. 2732 (September 28, 2015); Order No. 2901 (December 18, 2015); Order No. 3377 (June 17, 2016); Order No. 4039 (August 15, 2017); Order No. 4066 (August 24, 2017); and Order No. 5280 (October 22, 2019).

PC Postage

Postage meters and PC Postage products are collectively identified as “postage evidencing systems.” A postage evidencing system is a device or system of components a customer uses to print evidence that postage has been paid as required. Postage evidencing systems print information-based indicia (IBI) to indicate postage payment. Mailers print indicia directly on a mailpiece or on a label that is affixed to a mailpiece. PC Postage is third-party vendor software approved by the Postal Service that mailers can use to pay for and print postage using a computer, printer, and internet connection. There are several PC Postage vendors. PC Postage payment transactions are recorded in the National Meter Account Tracking System (NMATS).

Automated Package Verification (APV)

The Postal Service currently runs an Automated Package Verification (APV) program that uses barcode data and in-line scales and dimensional scanners on parcel sorters to identify and charge postage due for short-paid mailpieces, or to refund postage for overpaid mailpieces. The PC Postage transaction information is compared to the packages rated in APV and the customers’ accounts are adjusted for the postage due for short-paid mailpieces or the postage credited for overpaid mailpieces. Beginning

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April 1, 2020, the APV program will expand to more types of parcel sorters, with enhanced capabilities to identify duplicate labels, used refunded labels, and unmanifested mailpieces as well as pieces paid under a Negotiated Service Agreement (NSA). APV will send enhanced adjustment records to NMATS that can be used for the correction process. This improvement will allow for record-level adjustments for short-paid, overpaid, used refunded labels, duplicate labels, and unmanifested pieces, and will more closely align the current and the proposed methodologies, as discussed below.

RPW Reporting of PC Postage

The current RPW methodology for mail activity relies on several census sources in combination with statistical estimates from the ODIS-RPW probability sampling system. The major census sources include PostalOne!, Retail Systems Software or RSS, Click-N-Ship or CNS, and PC Postage vendor data for Negotiated Service Agreements (NSAs). ODIS-RPW is a probability-based destinating mail sampling system used to support the Postal Service's many and varied business needs for mail revenue and volume. ODIS-RPW primarily supplies official estimates of revenue, volume, and weight for single-piece stamped and metered mail.

One of the ODIS-RPW mail characteristics recorded by Statistical Programs data collectors is the indicia, or source payment. Indicia types include, but are not limited to, stamps, permit imprint, and IBI. PC Postage is a type of IBI with a two-dimensional barcode that mailers apply to their mailpieces. ODIS-RPW data collectors record a PC Postage mailpiece as IBI and indicate the specific PC Postage manufacturer. Other mail

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characteristics recorded by Statistical Programs data collectors include, but are not limited to, revenue, mail class, product, mail markings, and extra services.

Limitations with the Current Methodology

Data collection is always challenging in the fast-moving timeframe around mail arrival to the post office, distribution to the carriers, and carrier pull-down for street delivery, which is when ODIS-RPW tests are conducted. Unintended errors could occur in the sampling of mail, and in the recording of the data elements observed.

In addition, ODIS-RPW is a statistical sampling system that produces point estimates with sampling error. Census information is not subject to sampling error. Using transactional data, there would be no sampling error, and one would expect to have equal or improved data quality.

Finally, ODIS-RPW captures the physical characteristics about a mailpiece and the postage associated with that piece. It does not have the capability to report on or adjust for short-paid and overpaid mail.

PROPOSAL:

The proposed RPW methodology would switch reporting of PC Postage domestic parcel mail categories from sample data provided by the ODIS-RPW sampling system to corresponding census data provided by PC Postage transactional data housed in NMATS. The PC Postage data includes Media Mail and Library Mail parcels, First-Class Package Service, USPS Retail Ground, and Priority Mail. Note that PC Postage data for most extra services already are obtained from NMATS, as approved by the Commission in Order No. 4039 (August 25, 2017). We propose to replace the sampling estimates with NMATS transactional (census) data no earlier than Quarter 3 FY2020 to

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allow for full implementation of the Automated Package Verification (APV) system changes that go into effect April 1, 2020. We would not retrospectively revise Quarter 1 or Quarter 2 FY2020, or the FY2019 comparison data.

RATIONALE:

The proposed change in methodology provides a complete census source of transactional-level data for PC Postage domestic mailpieces and makes appropriate APV adjustments at the record level. These data are used to form the revenue and volume characteristics needed for RPW reporting. As new data for PC Postage mailers come on line in the future, it is anticipated that those census data would be incorporated into RPW reporting as well.

IMPACT:

As a measure of the impact of switching from ODIS-RPW statistical sampling estimates to PC Postage census data, we produced the FY2019 RPW report using the census data and compared it to the original FY2019 report. Attachment A shows the FY2019 results using the proposed methodology compared to the current methodology. In addition to these columns, the report shows the amount of the change and the percentage change to the current method.¹

¹ The printed public version of Attachment A is directly attached to this Proposal (with the Excel spreadsheet attached electronically). The Postal Service is also separately filing under seal (as USPS-RM2020-6/NP1) a restricted version of Attachment A that disaggregates data pertaining to competitive products following the adopted format used in the public report. The nonpublic version filed under seal thus provides additional data for the confidential categories.

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Attachment A shows the changes by major mail category if the current methodology had been replaced in FY 2019 with the proposed methodology: Media and Library Mail revenue would have increased 2.4 percent and volume would have increased 1.5 percent; First-Class Package Service revenue would have increased 4.1 percent and volume would have increased 5.3 percent; USPS Retail Ground revenue would have decreased 2.6 percent and volume would have decreased 5.8 percent; and Priority Mail revenue would have decreased 3.4 percent and volume would have decreased 5.1 percent. Total mail volume for the year would have increased by 0.1 percent, and total pounds would have increased 0.3 percent. Total revenue would have been unchanged because the RPW report is tied to the Accounting Trial Balance. Other small changes to domestic products and services would have been scattered throughout the report as a result of this true-up process.

It is likely, however, that these gaps would be closed if this analysis were repeated using reporting periods after the full deployment of APV. By extension, the FY 2019 gaps observed in the Attachment A would not have been as large (the exact magnitude is unknown) had full APV implementation been in place at the beginning of FY2019. The gaps in Attachment A are mainly due to differences in manual data collection (current methodology) compared to postage payment data (proposed methodology). For example, ODIS-RPW categorizes any First-Class Mail item that weighs one pound or more, or is in Priority Mail packaging, as Priority Mail, while PC Postage payment information stored in the NMATS database reports the transactional detail provided by the mailer. As previously discussed, misclassified First-Class Package Service pieces are identified and re-rated in APV. Currently, the collected

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revenue is added to the RPW Report as a summary adjustment at the mail class level. As noted above, we expect that the expanded APV program will lead to results that more closely align the current and the proposed methodologies.

In summary, the proposed approach will result in the improved reporting of PC Postage non-contract revenue and volume both in terms of the level and measures of precision. The new system will also allow for more granularity in the underlying report data.

Attachment A
Comparison of Proposed and Current Methodologies
Revenue, Pieces, and Weight by Classes of Mail and Special Services for FY19 Q1-Q4
(Data in Thousands)

PAGE 1

Service Category	REVENUE				PIECES				WEIGHT (Pounds)			
	FY19		Change		FY19		Change		FY19		Change	
	Proposed	Current	Proposed over Current Amount	Percent	Proposed	Current	Proposed over Current Amount	Percent	Proposed	Current	Proposed over Current Amount	Percent
First-Class Mail:												
Single-Piece Letters	8,384,687	8,284,783	99,904	1.2	16,082,821	15,953,934	128,887	0.8	471,420	467,047	4,373	0.9
Single-Piece Cards	206,195	203,989	2,206	1.1	569,212	563,453	5,759	1.0	3,654	3,618	36	1.0
Total Single-Piece Letters and Cards	8,590,883	8,488,772	102,111	1.2	16,652,032	16,517,387	134,645	0.8	475,074	470,664	4,410	0.9
Presort Letters	13,689,504	13,689,504	0	0.0	35,207,142	35,207,142	0	0.0	2,032,376	2,032,376	0	0.0
Presort Cards	502,518	502,518	0	0.0	1,923,399	1,923,399	0	0.0	15,713	15,713	0	0.0
Total Presort Letters and Cards	14,192,021	14,192,021	0	0.0	37,130,541	37,130,541	0	0.0	2,048,089	2,048,089	0	0.0
Flats	1,669,113	1,648,854	20,259	1.2	1,307,850	1,295,348	12,502	1.0	264,343	261,492	2,851	1.1
Domestic Negotiated Serv. Agreement Mail	0	0	-	-	0	0	-	-	0	0	-	-
Outbound First-Class Mail International	184,408	184,408	0	0.0	126,054	126,054	0	0.0	6,449	6,449	0	0.0
Inbound International Letter Post and NSA	843,114	843,114	0	0.0	563,149	563,149	0	0.0	238,348	238,348	0	0.0
First-Class Mail Fees	104,964	104,829	135	0.1	-	-	-	-	-	-	-	-
Total First-Class Mail	25,584,501	25,461,998	122,503	0.5	55,779,626	55,632,479	147,147	0.3	3,032,303	3,025,042	7,261	0.2
USPS Marketing Mail:												
High Density and Saturation Letters	1,195,697	1,195,697	0	0.0	7,253,647	7,253,647	0	0.0	292,006	292,006	0	0.0
High Density and Saturation Flats & Parcels	2,065,768	2,065,768	0	0.0	11,606,928	11,606,928	0	0.0	2,034,704	2,034,704	0	0.0
Carrier Route	1,668,960	1,668,960	0	0.0	6,358,867	6,358,867	0	0.0	1,304,414	1,304,414	0	0.0
Letters	9,713,346	9,713,346	0	0.0	45,966,176	45,966,176	0	0.0	2,242,030	2,242,030	0	0.0
Flats	1,560,533	1,560,533	0	0.0	3,818,182	3,818,182	0	0.0	961,509	961,509	0	0.0
Parcels	48,293	48,293	0	0.0	36,861	36,861	0	0.0	14,852	14,852	0	0.0
Every Door Direct Mail Retail	119,485	119,485	0	0.0	649,386	649,386	0	0.0	82,368	82,368	0	0.0
Domestic Negotiated Serv. Agreement Mail	0	0	-	-	0	0	-	-	0	0	-	-
USPS Marketing Mail Fees	35,255	35,036	219	0.6	-	-	-	-	-	-	-	-
Total USPS Marketing Mail	16,407,336	16,407,117	219	0.0	75,690,047	75,690,047	0	0.0	6,931,881	6,931,881	0	0.0
Periodicals Mail:												
In-County	55,512	55,512	0	0.0	499,313	499,313	0	0.0	127,964	127,964	0	0.0
Outside County	1,132,246	1,132,246	0	0.0	4,135,305	4,135,305	0	0.0	1,444,298	1,444,298	0	0.0
Periodicals Mail Fees	6,360	6,319	41	0.6	-	-	-	-	-	-	-	-
Total Periodicals Mail	1,194,118	1,194,077	41	0.0	4,634,618	4,634,618	0	0.0	1,572,263	1,572,263	0	0.0
Package Services Mail:												
Alaska Bypass	31,737	31,731	6	0.0	1,274	1,274	0	0.0	85,758	85,758	0	0.0
Bound Printed Matter Flats	190,487	190,487	0	0.0	254,368	254,368	0	0.0	428,698	428,698	0	0.0
Bound Printed Matter Parcels	314,168	314,168	0	0.0	285,933	285,933	0	0.0	590,904	590,904	0	0.0
Media and Library Mail	290,632	283,892	6,740	2.4	81,307	80,122	1,185	1.5	185,963	174,195	11,768	6.8
Package Services Mail Fees	1,144	1,141	3	0.3	-	-	-	-	-	-	-	-
Total Package Services Mail	828,167	821,420	6,747	0.8	622,881	621,696	1,185	0.2	1,291,323	1,279,555	11,768	0.9

Attachment A
Comparison of Proposed and Current Methodologies
Revenue, Pieces, and Weight by Classes of Mail and Special Services for FY19 Q1-Q4
(Data in Thousands)

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Service Category	REVENUE				PIECES				WEIGHT (Pounds)			
	FY19		Change		FY19		Change		FY19		Change	
	Proposed	Current	Proposed over Current Amount	Percent	Proposed	Current	Proposed over Current Amount	Percent	Proposed	Current	Proposed over Current Amount	Percent
U.S. Postal Service Mail	-	-	-	-	290,295	284,579	5,716	2.0	103,456	101,412	2,044	2.0
Free Mail	-	-	-	-	34,803	34,109	694	2.0	12,603	12,357	246	2.0
Total Market Dominant Mail	44,014,123	43,884,612	129,511	0.3	137,052,271	136,897,527	154,744	0.1	12,943,829	12,922,509	21,320	0.2
Ancillary Services:												
Certified Mail	661,673	653,630	8,043	1.2	189,252	186,950	2,302	1.2				
Collect on Delivery	4,212	4,206	6	0.2	369	368	1	0.1				
USPS Tracking	899	899	0	0.1	5,422,411	5,422,411	0	0.0				
Insurance	77,755	77,676	79	0.1	14,366	14,348	18	0.1				
Registered Mail	24,252	24,199	53	0.2	1,450	1,447	3	0.2				
Return Receipts	317,563	314,278	3,285	1.0	138,981	137,806	1,175	0.9				
Stamped Envelopes and Cards	12,746	12,746	0	0.0	-	-	-	-				
Other Domestic Ancillary Services	75,902	74,514	1,388	1.9	24,315	23,838	477	2.0				
International Ancillary Services	58,861	58,861	0	0.0	29,493	29,493	0	0.0				
Other NSA Ancillary Services	3,303	3,303	0	0.0	1,389	1,389	0	0.0				
Total Ancillary Services	1,237,168	1,224,315	12,853	1.0	5,822,026	5,818,051	3,975	0.1				
Special Services:												
Money Orders	147,618	147,618	0	0.0	81,268	81,268	0	0.0				
Post Office Box Service	294,360	294,360	0	0.0	5,638	5,638	0	0.0				
Other Domestic Special Services	106,414	106,414	0	0.0	954	954	0	0.0				
Other International Special Services	0	0	-	-	0	0	-	-				
Total Additional Special Services	548,391	548,391	0	0.0	87,859	87,859	0	0.0				
Total Market Dominant Services	1,785,559	1,772,706	12,853	0.7	5,909,885	5,905,910	3,975	0.1				
Total Market Dominant Mail and Services	45,799,682	45,657,318	142,364	0.3								
Other Market Dominant Revenue	1,299,439	1,299,439	0	0.0								
Total Market Dominant Revenue	47,099,121	46,956,757	142,364	0.3								

Attachment A
Comparison of Proposed and Current Methodologies
Revenue, Pieces, and Weight by Classes of Mail and Special Services for FY19 Q1-Q4
(Data in Thousands)

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Service Category	REVENUE				PIECES				WEIGHT (Pounds)			
	FY19		Change		FY19		Change		FY19		Change	
	Proposed	Current	Proposed over Current Amount	Percent	Proposed	Current	Proposed over Current Amount	Percent	Proposed	Current	Proposed over Current Amount	Percent
Priority Mail Express: Total Priority Mail Express	716,187	716,187	0	0.0	26,163	26,163	0	0.0	28,225	28,225	0	0.0
First-Class Package Service Total First Class Package Service	4,648,690	4,466,212	182,478	4.1	1,472,913	1,398,204	74,709	5.3	556,784	532,379	24,405	4.6
USPS Retail Ground Mail: Total USPS Retail Ground	259,385	266,432	(7,047)	(2.6)	11,186	11,872	(686)	(5.8)	80,765	83,037	(2,272)	(2.7)
Priority Mail: Total Priority Mail	9,144,405	9,463,724	(319,319)	(3.4)	1,030,192	1,085,277	(55,085)	(5.1)	2,891,103	2,854,404	36,699	1.3
Parcel Select Mail: Total Parcel Select Mail	6,800,932	6,800,932	0	0.0	2,909,870	2,909,870	0	0.0	7,701,220	7,701,220	0	0.0
Parcel Return Service Mail: Total Parcel Return Service Mail	203,426	203,426	0	0.0	75,373	75,373	0	0.0	199,044	199,044	0	0.0
International Mail: Total International Mail	1,374,626	1,374,626	0	0.0	165,695	165,695	0	0.0	230,937	230,937	0	0.0
Total Competitive Mail	23,147,651	23,291,539	(143,888)	(0.6)	5,691,392	5,672,455	18,937	0.3	11,688,077	11,629,246	58,831	0.5

Attachment A
Comparison of Proposed and Current Methodologies
Revenue, Pieces, and Weight by Classes of Mail and Special Services for FY19 Q1-Q4
(Data in Thousands)

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Service Category	REVENUE				PIECES				WEIGHT (Pounds)			
	FY19		Change		FY19		Change		FY19		Change	
	Proposed	Current	Proposed over Current Amount	Percent	Proposed	Current	Proposed over Current Amount	Percent	Proposed	Current	Proposed over Current Amount	Percent
Ancillary Services:												
Total Ancillary Services	20,649	19,125	1,524	8.0	6,576	6,337	239	3.8				
Special Services:												
Total Special Services	896,282	896,282	0	0.0	77,774	77,774	0	0.0				
Total Competitive Services	916,931	915,407	1,524	0.2	84,349	84,111	238	0.3				
Total Competitive Mail and Services	24,064,582	24,206,946	(142,364)	(0.6)								
Other Competitive Revenue	141,785	141,785	0	0.0								
Total Competitive Revenue	24,206,367	24,348,731	(142,364)	(0.6)								

Attachment A
Comparison of Proposed and Current Methodologies
Revenue, Pieces, and Weight by Classes of Mail and Special Services for FY19 Q1-Q4
(Data in Thousands)

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Service Category	REVENUE				PIECES				WEIGHT (Pounds)			
	FY19		Change		FY19		Change		FY19		Change	
	Proposed	Current	Proposed over Current Amount	Percent	Proposed	Current	Proposed over Current Amount	Percent	Proposed	Current	Proposed over Current Amount	Percent
Total Market Dominant and Competitive												
Total All Mail	67,161,774	67,176,151	(14,377)	0.0	142,743,663	142,569,982	173,681	0.1	24,631,906	24,551,755	80,151	0.3
Total All Services	2,702,490	2,688,113	14,377	0.5	5,994,234	5,990,021	4,213	0.1				
Total All Mail and Services	69,864,264	69,864,264	0	0.0								
Total All Other Revenue	1,441,225	1,441,225	0	0.0								
Total All Revenue	71,305,488	71,305,488	0	0.0								